

BANCA SISTEMA Group

“PILLAR 3”

Situation at 30 June 2023

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FOREWORD

With effect from 1 January 2014, the reforms of the accord by the Basel Committee (“Basel 3”) were implemented in the EU legal framework. Their aim is to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and increase banks’ transparency and disclosures. In doing so, the Committee maintained the approach founded on three Pillars, underlying the previous capital accord, known as “Basel 2”, supplementing and strengthening it to increase the quantity and quality of intermediaries’ available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment. In particular, Pillar 3 – which concerns public disclosure obligations on capital adequacy, risk exposure and the general characteristics of related management and control systems, with the aim of better regulating the market – was also reviewed. Amongst other things, the amendments introduced greater transparency requirements, more information on the composition of regulatory capital and the methods used by banks to calculate capital ratios.

That said, the content of “Basel 3” was incorporated into two EU legislative acts:

- Regulation (EU) 575/2013 of 26 June 2013 (CRR) as amended;
- Directive 2013/36/EU of 26 June 2013 (CRD IV) “Supervisory Provisions for Banks” as amended.

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular the Circular 285 of 17 December 2013 (as amended) contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework.

Bank of Italy’s Circular No. 285 “Supervisory Provisions for Banks” of 17 December 2013, as further amended, which covers this subject in Chapter 13, Part Two, thus does not establish specific rules for drafting and publishing Pillar 3, but merely reproduces the list of provisions laid down on the matter in the Regulation EU No. 575/2013 (CRR – Capital Requirements Regulation).

This public disclosure has been prepared in accordance with the following regulations:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) Part Eight “Disclosure by Institutions” (Articles 431 - 455) and Part Ten, Title I, Chapter 3, “Transitional Provisions for Disclosure of Own Funds” (Article 492);
- Directive 2013/36/EU (CRD IV); “Supervisory Provisions for Banks” - Bank of Italy, Circular No. 285 of 17 December 2013, as amended, implementing the provisions of the CRR and CRD IV;
- Art. 53, comma 1, lett.d-bis), art.53-bis, art. 67 commi 1 lett. e) e 3-bis, art. 67-ter of the Consolidated Law on Banking (TUB); European Banking Authority (EBA) Guidelines EBA/GL/2014/14 - on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1) and (2), and 433 of the CRR, and Guidelines EBA/GL/2016/11 - on disclosure requirements under Part Eight of Regulation (EU) No 575/2013;
- further EBA Guidelines regulating specific aspects of the Public Disclosure Requirements, including the Guidelines on Disclosure of Non-performing and Forborne Exposures (EBA/GL/2018/10);
- Guidelines of the European Banking Authority (EBA) on exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07).

30 June 2021 saw the entry into force of the provisions of Regulation (EU) No. 2019/876 (CRR II) of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

Banca Sistema Group publishes the Pillar 3 on half year basis, in particular the key metrics. The Pillar 3 public disclosures are drafted at the consolidated level by the Banking Parent Company.

Given the public significance of Pillar 3, the document is submitted to the competent Corporate Boards for approval under the responsibility of the manager in charge of preparing the Company's financial reports. In accordance with Article 154-bis of Legislative Decree No. 58/98 (TUF), the document is then submitted for the relative certification.

Unless otherwise specified, all amounts are in thousands of euros.

The Banca Sistema Group regularly publishes its Pillar 3 public disclosures on its website, at the following address:
<https://www.bancasistema.it/pillar3>.

DISCLOSURE OF KEY METRICS

In detail, it contains the balance sheet aggregates and the value of the risk weighted assets, as well as the capital ratios and the regulatory requirements that the Bank has to comply with. The table also provides the main liquidity ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and their main components.

Table EU KM1: key metrics*(Amounts in thousands of Euro)*

Available own funds (amounts)	June 2023	December 2022	June 2022
Common Equity Tier 1 (CET1) capital	172.077	174.974	176.302
Tier 1 capital	217.577	220.474	221.802
Total capital	217.784	220.668	221.940
Risk-weighted exposure amounts			
Total risk exposure amount	1.448.030	1.385.244	1.356.889
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	11,8836%	12,6313%	12,9931%
Tier 1 ratio (%)	15,0258%	15,9159%	16,3464%
Total capital ratio (%)	15,0400%	15,9299%	16,3565%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2,0000%	2,0000%	2,0000%
of which: to be made up of CET1 capital (percentage points)	2,0000%	2,0000%	2,0000%
of which: to be made up of Tier 1 capital (percentage points)	2,0000%	2,0000%	2,0000%
Total SREP own funds requirements (%)	10,0000%	10,0000%	10,0000%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer (%)	2,5000%	2,5000%	2,5000%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
Institution specific countercyclical capital buffer (%)	0,0402%	0,0125%	0,0005%
Systemic risk buffer (%)	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-
Combined buffer requirement (%)	2,5402%	2,5125%	2,5005%
Overall capital requirements (%)	12,5402%	12,5125%	12,5005%
CET1 available after meeting the total SREP own funds requirements (%)	5,0400%	8,1313%	8,4931%

Leverage ratio	June 2023	December 2022	June 2022
Total exposure measure	4.679.160	4.377.779	3.932.805
Leverage ratio (%)	4,6499%	5,0362%	5,6398%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
of which: to be made up of CET1 capital (percentage points)	-	-	-
Total SREP leverage ratio requirements (%)	3,0000%	3,0000%	3,0000%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
Leverage ratio buffer requirement (%)	-	-	-
Overall leverage ratio requirement (%)	3,0000%	3,0000%	3,0000%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value -average)	314.329	342.041	428.208
Cash outflows - Total weighted value	301.543	333.250	371.827
Cash inflows - Total weighted value	175.079	152.701	142.624
Total net cash outflows (adjusted value)	132.161	182.183	229.203
Liquidity coverage ratio (%)	285,5384%	221,3825%	193,5783%
Net Stable Funding Ratio			
Total available stable funding	3.015.320	2.599.332	2.758.686
Total required stable funding	2.183.171	1.952.717	1.913.376
NSFR ratio (%)	138,1165%	133,1136%	144,1789%

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Alexander Muz, hereby declares that, pursuant to Art. 154-bis, paragraph 2, of the Consolidated Law on Finance, the accounting information contained in this “Disclosure by Institutions pursuant to Regulation (EU) no. 575/2013 – 30 June 2023” corresponds to the company's documents, books and accounting records.

Alexander Muz

Manager in charge of financial reporting

A handwritten signature in black ink, appearing to read 'A. Muz', is positioned below the printed name and title.

